

# Office of City Auditor

## **Cash Handling Audit Department of Neighborhoods**

**January 8, 2009**

City of Seattle  
Office of City Auditor

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## City of Seattle Office of City Auditor

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### **Our Mission:**

To help the City of Seattle achieve honest, efficient management and full accountability throughout City government. We serve the public interest by providing the Mayor, the City Council, and City department heads with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of the citizens of Seattle.

### **Background:**

Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council and has a four-year term to ensure his/her independence in selecting and reporting on audit projects. The Office of City Auditor conducts financial-related audits, performance audits, management audits, and compliance audits of City of Seattle programs, agencies, grantees, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively and efficiently as possible.

### **How We Ensure Quality:**

The office's work is performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards provide guidelines for staff training; audit planning, fieldwork, quality control systems, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

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## INTRODUCTION

Cash handling is a highly visible as well as an important government fiscal function; as such, it provides important public relations opportunities for the City<sup>1</sup>. Citizens expect their governments to provide high-quality services and to be accountable for public funds. At cash handling sites, citizens observe government service and cash protection in action, and form judgments about how well their government is performing in both of these areas.

City Council Resolution 29604 requires departments every two years to submit to the Office of City Auditor the City Auditor's Cash Handling Self-Assessment Questionnaire. Adopted in 1997, the main goal of the resolution is to ensure that cash handling sites use professional cash handling procedures that include excellent customer service. Cash handling audits allow both the department and the City Auditor to assess a site's internal cash handling controls.

As part of its ongoing monitoring of City cash handling sites, the Office of City Auditor conducted this audit to evaluate the cash handling policies, procedures, and practices at the Department of Neighborhoods. Our review of the Department of Neighborhoods' cash handling operations focused primarily on the following three audit objectives:

1. Ensuring that the Department of Neighborhood's cash handling sites were not exposing the City's money to unnecessary risks.
2. Reviewing the sites to ensure they complied with City's and the Department of Neighborhoods' policies and procedures.
3. Helping Department of Neighborhood management to improve their cash handling procedures and policies.

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## BACKGROUND

The Department of Neighborhoods operates thirteen Neighborhood Service Centers spread throughout the City of Seattle.

Seven of these locations (Lake City, Ballard, University, Central, Southeast, Delridge, and West Seattle) accept payments for various government services. Four sites (Ballard, Lake City, Southeast, and University) have the newer-style sliding windows, which separate Customer Service Representatives (CSRs) from the customers. The Service Centers use the Consolidated Customer Service System (CCSS) as their over-the-counter financial system and SUMMIT as their accounting system. The table below illustrates the different types of payments accepted at the centers:

Site	Pet licenses	Passport fees	Seattle City Light & Seattle Public Utilities bills	Seattle Municipal Court payments	Residential parking permits	Metro bus passes	Comcast & Broadstripe cable bills
Ballard	X	X	X	X			
Central	X	X	X	X			X
Delridge	X	X	X	X			
Lake City	X	X	X	X			
Southeast	X	X	X	X		X	
University	X	X	X	X	X		
West Seattle	X	X	X	X			

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<sup>1</sup> For this audit, cash handling refers to the handling of currency, checks, and credit card payments.

The CSRs begin each day with a \$300 starting balance in their registers. During business hours, the CSRs store cash and check payments in their locked registers. Occasionally, the CSRs will drop cash into their locked drop-boxes when they believe their registers contain too much money. During business hours, the CSRs store credit card payment stubs for Seattle City Light and Seattle Public Utilities in envelopes near the register. Depending on shift length, CSRs complete either one or two trial balances during the day. After business hours, CSRs store cash and checks slated for bank deposit in electronic safes. CSRs send the credit card payment stubs to the Department of Finance. Each CSR has daily responsible for closing out his or her own register, balancing the received payments, and preparing the deposit by sealing cash, checks, and credit card payments into mylar bags for next-day pick up by a armored car service.

Two supervisors oversee the activity of all the Neighborhood Service Centers. One senior customer service representative fills in where needed. Each center's security measures and cash handling controls include alarm panels, self-locking safes, limited access to the collection areas, surveillance cameras, daily balancing of funds by CSRs, daily transmittal of payment information to the Department of Finance, armored car service, mylar bank deposit bags with unique identification codes, up-to-date procedures manuals with procedures for cash shortages and overages, audits of all cash variances, and periodic surprise supervisor visits. These measures are intended to help ensure the safe handling of public funds.

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## **SCOPE AND METHODOLOGY**

Our review of the Department of Neighborhoods' cash handling procedures began in June 2008 and lasted through July 2008. This audit focused on the cash handling practices of the CSRs who serve as cashiers at the Neighborhood Service Centers. We reviewed the Department of Neighborhoods Customer Service Representative Procedure Manual and evaluated it against the department's cash handling practices. We visited five Neighborhood Service Centers: Ballard, Delridge, Southeast, University District, and West Seattle. We chose not to visit the Lake City and Central Neighborhood Service Centers because the State Auditor's Office audited these locations in 2007. At each of the Neighborhood Service Centers, we interviewed one or more CSRs depending on how many were available. We used a cash handling assessment questionnaire to evaluate their cash handling practices. We focused on the physical safekeeping of cash, checks, and credit card slips; daily activities, cash receipting and depositing, and monitoring.

At the sites we also observed the CSRs' daily activities. We created an internal controls matrix, which can be found in Appendix 1, to assess the department's cash handling practices and procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## CONCLUSIONS IN BRIEF

Overall, the Department of Neighborhoods maintains tight cash handling procedures at its Neighborhood Service Centers. The CSRs at the Neighborhood Service Centers are well-trained and prepared for their duties. Cash and check safeguarding practices are adequate for business and non-business hours. CSRs follow clearly defined cash handling procedures. Most of the current cash handling procedures effectively protect and minimize risk surrounding the handling of City funds. Furthermore, management oversight is apparent at many levels of operation, including review of revenue trends, CSR activity, and Service Center security.

While CSRs safely and properly handle cash and checks, the increase in customer credit card use has created a need for increased internal controls over the safeguarding of credit card information. We found that the handling of credit card information at the Neighborhood Service Centers could be strengthened with the adoption of certain practices. As such, we have directed many of our recommendations to this issue.

Another area of concern is the security of the cashiers and locked areas. At the Neighborhood Service Centers with sliding cashier windows, we noticed that CSRs often did not close and lock their windows while leaving the area unattended. Furthermore, the keys to the register, drop-box, and cabinets were not stamped “Do Not Duplicate” at any location. Requiring CSRs to close and lock their windows when leaving the cashier area unattended and stamping keys to locked areas with “Do Not Duplicate” would improve the overall security of the Neighborhood Service Centers.

Due to limited staffing, each CSR completes the process for closing out registers, which includes counting cash and preparing the deposits. This means that CSRs have autonomy over daily cash handling practices. CSRs have the authority to void transactions and process personally collected dropped-off or mailed-in payments. Often, only one CSR counts the money, prepares the deposits, and accounts for shortages or overages. This presents a possible cash handling risk because of minimal supervisory oversight and division of duties.

The receipting process also plays a crucial role in monitoring and tracking money-handling activities. While all Neighborhood Service Centers displayed signs stating that customers are required to take receipts, not all of the signs were placed in easily viewable locations.

Finally, it is important that CSRs take required vacations to ensure that operations continue to run smoothly in their absence. While all CSRs we interviewed said that they went on vacations, none of them mentioned that such vacations were required. A more explicit vacation policy would strengthen the department’s cash handling operations.

The auditor in charge of this audit met with Department of Neighborhoods’ officials to discuss the draft audit report, and they generally concurred with the report’s conclusions and recommendations.

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## CONCLUSIONS AND RECOMMENDATIONS

The Department of Neighborhoods uses cash handling procedures that adequately cover most daily operational processes. However, the following areas could be strengthened to ensure more secure cash handling practices: the protection of customer credit card information, procedures for unattended workstations, closing out procedures, processing of dropped-off payments, management oversight, receipting procedures, security, and general policy.

### **Conclusion 1: Customer credit card information needs to be guarded more securely.**

After processing a credit card transaction, the credit card machine prints two receipts—one merchant copy and one customer copy. The customer copy shows only the last four digits of the credit card number. However, the merchant copy contains the entire credit card number. The CSRs keep the signed merchant copies on record. Complete credit card numbers are also printed on payment stubs for Seattle City Light and Combined Utilities bills. CSRs store these payment stubs in open envelopes marked Seattle City Light or Seattle Combined Utilities near the register. At some sites, these envelopes were within customers' reach.

During our Ballard site visit, the CSR generated a duplicate receipt for a credit card transaction that occurred earlier that day. This receipt did not read "Duplicate Receipt," and contained the complete credit card number. The CSR was uncomfortable with releasing this receipt to us; therefore, we chose not to retain a copy of this receipt for our records. When we returned to the Ballard Neighborhood Service Center to retrieve another copy, a different CSR provided us with sample duplicate receipts: one generated by the system and two generated by the credit card machine. The system-generated receipt was not marked as duplicate, and it also did not contain the complete credit card number. The two receipts generated by the credit card machine read "Duplicate" and were labeled "Merchant Copy," and "Customer Copy." The merchant copy contained the complete credit card number.

We are concerned that the first CSR was able to produce system-generated duplicate receipt that did not read "Duplicate" and contained a complete credit card number. Furthermore, CSRs store this information in open envelopes near cashier windows during business hours and in locked cabinets during non-business hours. To better protect customers, Department of Neighborhoods' management should restrict CSR and customer access to complete credit card numbers.

*Recommendation 1: Program the system or site printers to encrypt complete credit card numbers to ensure that neither CSRs nor customers have access to sensitive cardholder information.*

*Recommendation 2: Create a more secure place to store payment stubs containing sensitive cardholder information during business hours.*

Management Response: The department is working with our Merchant Services vendor to reprogram the credit card terminals so the credit card number is truncated on both the merchant and customer copies. Reprogramming of terminals has been completed.

Due to finite physical space, CSR staff is very limited on where they can place and store payment stubs on their workstation desktops. Sensitive cardholder information will soon be truncated thereby reducing the risk of sensitive information being accessible to others. Additionally, the department will retrain CSR staff on the expectation of securing their customer window prior to leaving the workstation area. This retraining was conducted at the CSR staff meetings held on August 14, 15 and 19<sup>th</sup>, 2008.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

**Conclusion 2: When leaving the cashier area unattended, CSRs should lock and secure their workstations.**

While visiting the Neighborhood Service Centers, we observed that CSRs often did not close and lock their windows and/or lock their computer workstations when leaving the cashier area unattended. In one instance, a CSR was away from her desk and a customer reached through the open window to retrieve a check. At some locations, CSRs on break left their computers logged on to the CCSS Web system. This poses a cash handling risk because unauthorized individuals could enter payment information or compromise data on CCSS Web. To prevent this from occurring, CSRs should close and lock their windows, as well as lock or log out of their CCSS Web accounts, when leaving the cashier area unattended.

*Recommendation 3: Require all CSRs to always close and lock windows when leaving the cashier area unattended.*

*Recommendation 4: Require all CSRs to lock or log out of CCSS Web when leaving the cashier area unattended.*

Management Response: CSR staff was retrained on the performance expectation of securing the customer window whenever the window is not actively in use. This retraining was completed at the August 2008 CSR staff meetings.

We have developed a new procedure requiring that CCSS Web workstations be locked when the CSR leaves the collection area unattended. This procedure was introduced at the August 2008 CSR staff meetings. The formal procedure was added to the CSR procedure manual on September 2, 2008.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

**Conclusion 3: The Department of Neighborhoods should modify or introduce procedures that segregate cash handling, reconciling, and depositing activities.**

Due to limited staffing, CSRs have considerable autonomy with their cash handling, reconciling, and depositing activities. For example, the CSR who collects dropped-off or mailed-in payments also processes the payments. CSRs are also responsible for reconciling the system-generated RAPS Report with their deposits. There is no segregation of depositing and reconciling activities. This creates a cash handling risk because no monitoring controls are in place for this procedure.

*Recommendation 5: Modify procedures to segregate duties in the handling, reconciling, and depositing of received payments.*

Management Response: The department is aware of the benefit of segregating these activities but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of our pre-employment background checks, regular unannounced site audits and monthly review of Daily Collection Reports and deposit activity.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*



**Conclusion 4: There should be more daily manager or supervisor oversight of cashiers.**

Additional management oversight of void and balancing activities would strengthen the security surrounding Department of Neighborhood cash handling because currently CSRs have considerable autonomy in voiding transactions and preparing their deposits. CSRs do not need supervisor or manager approval to do either.

*Recommendation 6: Modify procedures to provide for manager or supervisor verification of voids and depositing activities.*

Management Response: The department is aware of the benefit of limiting staff autonomy but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of regular unannounced site audits and monthly review of Daily Collection Reports, deposit activity and void activity. Deposit slips are audited on a monthly basis by the Performance Supervisor. Deposit slip errors are researched promptly and employee performance issues are immediately addressed. Voids are tracked and staff receives direct feedback on all void activity as part of routine performance assessments. Failure to meet void threshold tolerance can lead to disciplinary action.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

**Conclusion 5: Currently, limited staffing makes it difficult for blind reconciliation to occur as part of the closing-out process.**

At the end of their shifts, CSRs are responsible for closing out their registers and reconciling the money collected with the RAPS Remittance Balancing Report generated by CCSS Web, which includes transaction totals for that shift. This means that the CSRs know the amount of money they must balance to. This creates an opportunity for CSRs to “force balance,” or use personal funds to cover a shortage or take an overage amount.

One possibility is for the Department of Neighborhoods to adopt a procedure or consider modifications to CCSS Web that require CSRs to first input their counted cash, check, and credit card totals into the system before they have access to the system-generated RAPS Remittance Balancing Report.

*Recommendation 7: Adopt a new procedure or consider system modifications that incorporate blind reconciliation as part of the closing-out process.*

Management Response: This recommendation involves system modifications and additional staffing. System modifications to the OTC (over the counter) cash processing module within CCSS Web are cost prohibitive. And given budgetary concerns, the department is not able to provide additional supervisory staff to complete a CSR's balancing process. The department currently has 2 supervisors and would need to hire 5 more supervisors to ensure that each location has the appropriate staffing to properly complete the recommended close-out process. The department has compensating controls in place to offset this risk. Compensating controls include performance procedures on handling city funds, regular unannounced site audits, regular performance reviews, and surveillance cameras.

*Office of City Auditor Response: Based on the department's response, we revised our assessment*

*matrix for this control.*

**Conclusion 6: Cash handling procedures could be strengthened if signs informing customers of required receipts were placed in easily visible areas and CSRs insisted that all customers take receipts.**

Some CSRs told us that they require all of their customers to take receipts. However, if a customer did not want a receipt, several CSRs said they did not force the customer to take one. Furthermore, although all Neighborhood Service Centers have signs stating that customers must take their receipts, not all signs are easily visible. At the University Neighborhood Service Center, the sign was located above the large cashier window and not in plain sight.

*Recommendation 8: Instruct CSRs to give every customer a receipt.*

*Recommendation 9: Display signs in easily viewable locations stating that customers must take a receipt.*

Management Response: CSR staff members have been notified to gently and graciously insist that all customers take a receipt. Customers who do not want a receipt will not be forced to accept a receipt. Effective following the August 2008 staff meetings, a new procedure was implemented. Receipts not accepted by customers will be stapled to that customers' payment stub. The formal procedure was added to the CSR procedure manual.

All display signs are now located in areas that are easily viewable.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

**Conclusion 7: To increase the security of the cashier areas, keys to locked cabinets, drop-boxes, and registers should be stamped "Do Not Duplicate."**

Every Neighborhood Service Center restricts entry to its cashier area by limiting key card access to CSRs and supervisors. Furthermore, cabinets, drop-boxes, and registers remain locked during business and non-business hours. However, none of the keys used to lock these read "Do Not Duplicate."

*Recommendation 10: Keys should be stamped "Do Not Duplicate" to prevent unauthorized key duplication.*

Management Response: Effective August 13, 2008 all CSR collection area keys have been stamped "Do Not Duplicate". This includes cash drawers, drop safe, filing cabinets and credit card terminal cover keys.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

**Conclusion 8: The Department of Neighborhoods does not have a policy for CSRs to take vacations or be temporarily reassigned.**

It is important for CSR to take vacations or be temporarily reassigned to limit the potential for fraud. Although all of the CSRs we interviewed said they take vacations, none mentioned that vacations or temporary reassignment of duties were required. Currently, many of CSRs "float"

between different Neighborhood Service Centers to temporarily take over the cash handling duties of other cashiers. We believe this staffing plan can partially address the potential issue of fraud; however, the department should recognize this as an important internal control measure rather than solely a staffing solution.

*Recommendation 11: The Department of Neighborhoods should develop a policy that requires vacations from or temporary reassignment of cashiering duties to limit potential fraud and institute a procedure for monitoring this internal control.*

Management Response: The department does not have a mandatory vacation policy. Our policies are in accordance with the City's Personnel Rules and the Collective Bargaining Agreement by and between the City of Seattle and IFPTE, Local 17. These policies do not authorize mandatory vacations. While we recognize that mandatory vacations can be an important internal control measure we do have compensating controls in place which minimize the risk of fraud, including surprise audits, backfilling absent staff with supervisors and other unscheduled CSRs. We do regularly reassign part time staff to work at different locations as a staffing solution. Full time CSR staff members are assigned to a specific location. There are advantages of having stable staffing. Scheduling the staff to work at one specific location allows our CSRs to understand the nuances of the unique neighborhoods and provide a higher quality of customer service to the public. We think these benefits outweigh the potential risk of fraud by our staff. Stability of staff's assigned location has also been recommended as a way to improve physical facility security. With each move or reassignment, management must modify alarm access, safe access and key card access for each affected staff member. Security industry experts value consistency as a method of limiting risk.

*Office of City Auditor Response: Based on the department's response, we revised our assessment matrix for this control.*

## APPENDIX I- Cash Handling Assessment Matrix

To evaluate the Department of Neighborhoods' (DON) cash handling processes and procedures, we developed an assessment matrix of several important internal controls regarding cash handling practices.

### Control Compliance Criteria:

- **Green Rating** = DON complies with the stated control.
- **Yellow Rating** = DON partially complies with the stated control.
- **Red Rating** = DON does not comply with the stated control.

### Risk Level Criteria:

- **Green Rating** = DON management has reduced risk to an acceptable level.
- **Yellow Rating** = The risk, while not unacceptable, could be further reduced or would benefit from additional monitoring by management.
- **Red Rating** = An acceptable level of risk has not been achieved. Management needs to address this risk and reduce it.

Physical Safekeeping of Cash, Checks, and Credit Card Slips			
	Compliance Level	Comments	Risk Level
1. During business hours the sites maintain adequate physical facilities for safeguarding cash, checks, and credit card slips.		During business hours, Customer Service representatives (CSRs) store cash payments and checks in the register till. CSRs drop different amounts of cash into a locked drop box at their own discretion. CSRs keep credit card slips containing customers' complete credit card numbers in envelopes in the cashier area, sometimes within customers' reach.	
	<b>Fully Complies</b>	Management Action: Completed credit card system program to ensure credit card numbers are truncated on the receipts. Completed cash handling training to ensure cash is bundled in a timely manner and cashier area is secure. Developed CSR manual procedure for properly securing workstations that may display confidential information in the Neighborhood Service Centers.	<b>Low Risk</b>
		Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.	

2. During non-business hours the sites maintain adequate physical facilities for safeguarding cash, checks, and credit card slips.		CSRs keep cash and checks to be deposited in an electronic safe. CSRs mail credit card slips to Treasury, which then sends them to the correct department. CSRs rarely retain passport information overnight.	
	<b>Fully Complies</b>		<b>Low Risk</b>
3. Only authorized personnel have access to cash handling areas, keys to those areas, and/or safe combinations.		Only supervisors and CSRs have access to the cash handling areas via key card. Key card access can be changed remotely. Each CSR has a unique code to open the electronic safes.	
	<b>Fully Complies</b>		<b>Low Risk</b>
4. Keys to cashier areas are stamped "Do Not Duplicate."		<p>Keys for register, drop box, and filing cabinets do not read "Do Not Duplicate."</p> <p>Management Action: <a href="#">Effective August 13, 2008 all CSR collection area keys have been stamped "Do Not Duplicate". This includes cash drawers, drop safe, filing cabinets and credit card terminal cover keys.</a></p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.</p>	
	<b>Fully Complies</b>		<b>Low Risk</b>

5. Senior staff maintains a list identifying who knows safe combinations and has keys to locked boxes and cash handling areas.		<p>The Operations Supervisor is responsible for determining who has access to the safe. The Operations Supervisor needs to be present to make additions or deletions of staff members who have authorized access to each safe. He or she assigns a user ID to each person who is authorized to access that safe. He or she will visit a site and enter a user ID and give “permission” for that user to create a unique code. The CSRs create their own codes. The Operations Supervisor does not know their codes, only their IDs. If he or she needs to remove someone’s access, he or she cancels the user ID. While this is done via computer, he or she needs to bring his or her laptop to the safe to activate the add/delete software. The laptop is password protected and locked up when she is not using it. This safe style also allows for an audit trail of user ID activity. The Operations Supervisor can visit a site and download user activity to produce data on who opened the safe and when. He or she can also produce a list of which user has access to each safe.</p> <p>The Performance Supervisor is responsible for the key cards. Key card access can be changed remotely.</p>	
	<b>Fully Complies</b>		<b>Low Risk</b>
6. Management changes safe combinations and keys when key employees transfer or are terminated, or for other security reasons.		<p>Management removes key card and safe access when employees are terminated or leave the department for any reason.</p>	
	<b>Fully Complies</b>		<b>Low Risk</b>
7. Cashiers lock safes and secured areas when they must leave the area.		<p>CSRs are diligent about keeping safes, registers, and drop boxes locked when unattended. However, at the Neighborhood Service Centers with the sliding windows, we observed that the CSRs did not habitually close and/or lock their windows. In one instance, a customer reached into the cashier area to retrieve a check while the CSR was in the restroom.</p> <p>Management Action: Retraining at August 2008 CSR staff meetings. Developed CSR manual procedure for properly securing a workstation and locking workstation</p>	
	<b>Fully Complies</b>		<b>Low Risk</b>

		windows.	
8. Each individual uses a unique login ID and password to access the automated POS system.	<b>Fully Complies</b>	Each CSR signs onto CCSS Web with an individual login ID and password.	<b>Low Risk</b>
9. Each individual locks his/her terminal when leaving it unattended.	<b>Fully Complies</b>	We observed several CSRs who left their terminal unattended and remained logged into CCSS Web. Management Action: Retraining at August 2008 CSR staff meetings. Developed CSR manual procedure for properly securing a workstation and locking workstation windows.	<b>Low Risk</b>
10. Each individual logs out after he/she is finished using the system.	<b>Fully Complies</b>	All CSRs log out when closing out on their terminals.	<b>Low Risk</b>
11. Cashiers have access to a security alarm or buzzer that alerts management or security personnel of robberies or other threatening activities.	<b>Fully Complies</b>	All CSRs have access to a security buzzer near their cashier area.	<b>Low Risk</b>

<b>Activities</b>			
	<b>Compliance Level</b>	<b>Comments</b>	<b>Risk Level</b>
12. One cashier is responsible for one cash drawer at any given time.	<b>Fully Complies</b>	Each CSR operates his/her own cash drawer. The only exception occurs when a supervisor covers a CSR's cash drawer during lunch breaks.	<b>Low Risk</b>
13. Cashiers record all transactions in the cash/POS register immediately upon receiving money.	<b>Fully Complies</b>	CSRs store all money received in the register drawer upon payment. CSRs immediately process all payments in CCSS Web.	<b>Low Risk</b>
14. An armored car service delivers cash to the site that will be used for making change.	<b>N/A</b>	CSRs leave \$300 in registers for a starting balance.	<b>N/A</b>
15. Cashiers use a counterfeit detection pen to verify the authenticity of bills.	<b>Fully Complies</b>	CSRs use counterfeit detection pens on all bills \$50 and greater.	<b>Low Risk</b>
16. Cashiers endorse checks "City of Seattle, For Deposit Only" immediately upon receipt.	<b>Fully Complies</b>	CSRs process checks through a check machine, which stamps all checks with "City of Seattle – For Deposit Only."	<b>Low Risk</b>

17. Cashiers require customers to present identification when paying in-person with checks.		None of the CSRs check customers' identification for check payments.	
	<b>Not in Compliance</b>	Management Response: <i>Is the reduction of this risk worth questioning customers making payments on their own utility bills? No comparison of signatures is done for payments that are paid by mail.</i>	<b>Medium Risk</b>
		Office of City Auditor Comment: We did not change the compliance rating, but we changed the risk rating to reflect the department's comment.	
18. Cashiers do not exchange personal checks made payable to the City for cash.	<b>Fully Complies</b>	CSRs do not accept personal checks made payable to the City in exchange for cash.	<b>Low Risk</b>
19. Cashiers do not accept second-party checks.	<b>Fully Complies</b>	CSRs never accept second-party checks.	<b>Low Risk</b>
20. Cashiers do not give cash back for checks written over the amount due.	<b>Fully Complies</b>	CSRs do not give customers cash back for any checks.	<b>Low Risk</b>



21. Cashiers receive authorization for credit card transactions through their credit card terminal before they complete a credit card transaction with a customer.		CSRs wait for credit card authorization to complete a transaction.	
	<b>Fully Complies</b>		<b>Low Risk</b>
22. When a customer pays with a credit card, the cashier matches the signature on the back of the credit card with the signature on the credit card slip, and also checks the credit card's expiration date.		<p>Although some CSRs regularly match credit card signatures, this procedure was not consistently required or followed at all Neighborhood Service Centers. A number of CSRs did not check the signature on the back of the cards.</p> <p>Management Action: Retraining was completed at the August 2008 CSR staff meetings (08/14, 08/15 and 08/19). CSRs were reminded that the expectation is to compare the signatures to limit misuse.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.</p>	
	<b>Fully Complies</b>		<b>Low Risk</b>
23. Cashiers do not write down complete credit card numbers when a customer pays with a credit card.		CSRs process credit cards through a credit card machine.	
	<b>Fully Complies</b>		<b>Low Risk</b>
24. Refunds are made only by check/warrant/credit card and only to the individual who made the payment.	<b>N/A</b>	CSRs do not refund money. If a refund is necessary, the CSR processes the refund as a void.	<b>N/A</b>
25. The site has back-up procedures when the automated system is down.		If the CCSS Web system is down, CSRs manually write receipts for cash and check payments. The credit card terminal is not connected to the CCSS Web system and therefore can still operate normally.	
	<b>Fully Complies</b>		<b>Low Risk</b>

<b>Cash Receipting</b>			
	<b>Compliance Level</b>	<b>Comments</b>	<b>Risk Level</b>
26. All cash/POS registers can generate receipts.	<b>Fully Complies</b>	All registers generate receipts.	<b>Low Risk</b>
27. All manual and system-generated receipts are pre-numbered.	<b>Fully Complies</b>	All receipts have numbers.	<b>Low Risk</b>

28. Receipts are uniquely numbered so that duplicate numbers will not occur.	<b>Fully Complies</b>	All receipts have unique numbers.	<b>Low Risk</b>
29. Cashiers provide register receipts to all customers.		<p>CSRs require all of their customers to take receipts. However, several CSRs said they did not force the customer to take a receipt if the customer didn't want one.</p> <p>Management Action: <a href="#">New procedure introduced at August 2008 CSR staff meetings (08/14, 08/15 and 08/19). CSR to staple 'unwanted' receipt to payment bill stub. Training completed.</a></p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.</p>	<b>Low Risk</b>
	<b>Fully Complies</b>		
30. Cashier areas display signs stating customers must take a receipt.		<p>All Neighborhood Service Centers have signs stating that customers must take their receipts. However, not all signs are easily visible.</p> <p>Management Action: The one sign that was not readily viewable has been relocated to make it more visible.</p>	<b>Low Risk</b>
	<b>Full Complies</b>		
31. Cashiers secure manual receipt forms in a locked storage place when not in use.		CSRs secure manual receipt forms in the electronic safe when they are not in use.	<b>Low Risk</b>
	<b>Fully Complies</b>		

<b>Cash Depositing</b>			
	<b>Compliance Level</b>	<b>Comments</b>	<b>Risk Level</b>
32. All cash/POS registers can produce a system-generated balancing report.	<b>Fully Complies</b>	The CCSS Web system generates RAPS Remittance Balancing Reports.	<b>Low Risk</b>
33. The system-generated balancing reports include date and preparer's initials.	<b>Fully Complies</b>	Each RAPS report includes the date. The RAPS report is included in bundles kept onsite and is sent to management with the preparer's signature.	<b>Low Risk</b>

34. Closing out procedures include blind reconciliation.		<p>CSRs generate a RAPS Remittance Balancing Report from CCSS Web and balance to the amount.</p> <p>Management response: This recommendation involves system modifications and additional staffing. System modifications to the OTC (over the counter) cash processing module within CCSS Web are cost prohibitive. And given budgetary concerns, the department is not able to provide additional supervisory staff to complete a CSR's balancing process. The department currently has 2 supervisors and would need to hire 5 more supervisors to ensure that each location has the appropriate staffing to properly complete the recommended close-out process. The department has compensating controls in place to offset this risk. Compensating controls include performance procedures on handling city funds, regular unannounced site audits, regular performance reviews, and surveillance cameras.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>
35. Two people confirm the payments received.		<p>CSRs count the payments collected during their shifts.</p> <p>Management Response: The department is aware of the benefit of segregating these activities but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of our pre-employment background checks, regular unannounced site audits and monthly review of Daily Collection Reports and deposit activity.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>

36. Cashiers do not prepare and sign the bank deposit and print out the daily cash balancing report.		CSRs prepare bank deposit slips and reconcile them with the system-generated balancing reports daily without segregation of duties.	
	<b>Partially Complies</b>	Management Response: The department is aware of the benefit of segregating these activities but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of our pre-employment background checks, regular unannounced site audits and monthly review of Daily Collection Reports and deposit activity.	<b>Medium Risk</b>
		Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.	
37. Individuals receiving mail, telephone, and/or online payments are not the individuals who prepare bank deposits.		CSRs do not take telephone or online payments. They collect mail and dropped-off payments, which they process and include in the bank deposits they prepare.	
	<b>Partially Complies</b>	Management Response: The department is aware of the benefit of segregating these activities but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of our pre-employment background checks, regular unannounced site audits and monthly review of Daily Collection Reports and deposit activity.	<b>Medium Risk</b>
		Office of City Auditor Comment: We changed the compliance and risk ratings to reflect the department's corrective action.	
38. The department requires details of currency and/or checks on the deposit slips.		CSRs fill out Daily Collection Reports (DCRs), which contain all details of collected currency.	
	<b>Fully Complies</b>		<b>Low Risk</b>

39. Cashiers do not reconcile bank deposits with system reports.		<p>CSRs reconcile the bank deposits they prepare with the RAPS Remittance Balancing Reports produced by the system without segregation of duties.</p> <p>Management Response: The department is aware of the benefit of segregating these activities but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of our pre-employment background checks, regular unannounced site audits and monthly review of Daily Collection Reports and deposit activity.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings from to reflect the department's corrective action.</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>
40. The department requires the preparation of duplicate or triplicate deposit slips.	<b>Fully Complies</b>	CSRs prepare three deposit slips for bank depositing, manager review, and site records.	<b>Low Risk</b>
41. The department requires the preparation and recording of daily deposits within 24 to 48 hours as required by City policy.	<b>Fully Complies</b>	CSRs prepare deposits upon closing their terminals.	<b>Low Risk</b>
42. The department requires the use of tamper-proof deposit bags for making deposits.	<b>Fully Complies</b>	CSRs place cash and check deposits to Wells Fargo in mylar bags. CSRs send credit card slips with credit card information to the Department of Finance in mylar bags as well.	<b>Low Risk</b>
43. An armored car service picks up deposits.	<b>Fully Complies</b>	GARDA armored cars pick up previous day deposits daily.	<b>Low Risk</b>
44. An individual other than the person making the deposit receives bank statements and deposit slips.	<b>Fully Complies</b>	<p>The Department of Executive Administration's (DEA) Treasury Services Division receives and reconciles DON/NPIS (Neighborhood Payment and Information Services) bank statements for City business. DON Accounting receives and reconciles cable bank statements. All statements are received on a monthly basis and reconciled on a monthly basis.</p>	<b>Low Risk</b>

<b>Monitoring</b>			
	<b>Compliance Level</b>	<b>Comments</b>	<b>Risk Level</b>
45. Management regularly reviews revenue trends and averages.		Management reviews activity (overall volume/business partner volume/revenue/location activity/staffing levels) on a monthly basis. Management also reviews cumulative annual activity.	
	<b>Fully Complies</b>		<b>Low Risk</b>
46. Management investigates all substantial variations from norms such as voids, no sales, refunds, errors, etc.		Management reviews voids and errors as part of employee performance reviews.	
	<b>Fully Complies</b>		<b>Low Risk</b>
47. Cashiers must receive a site supervisor's approval before voiding transactions.		<p>CSRs have the authority to void transactions. However, CSRs must describe voids on their DCRs, which management then tracks and reviews.</p> <p>Management Response: The department is aware of the benefit of limiting staff autonomy but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of regular unannounced site audits and monthly review of Daily Collection Reports, deposit activity and void activity. Deposit slips are audited on a monthly basis by the Performance Supervisor. Deposit slip errors are researched promptly and employee performance issues are immediately addressed. Voids are tracked and staff receives direct feedback on all void activity as part of routine performance assessments. Failure to meet void threshold tolerance can lead to disciplinary action.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings from to reflect the department's corrective action.</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>
48. Management regularly reviews void transaction activity.		Management reviews and tracks the number of void transactions per CSR.	
	<b>Fully Complies</b>		<b>Low Risk</b>

49. Cashiers report all overages and shortages to management.		CSRs note all overages and shortages on the Daily Collection Report. For all overages and shortages more than \$1, CSRs fill out an Audit – Cash Discrepancy form.	
	<b>Fully Complies</b>		<b>Low Risk</b>
50. Cashiers or managers immediately report shortages over \$100 to the Treasury Division of the Department of Executive Administration and the City Auditor’s Office.		Managers are in constant contact with DEA Treasury about overage and shortage issues. DON faxes copies of each deposit slip to the Department of Finance and note on that document if the CSR was out of balance and if so, the amount of the overage/shortage.	
	<b>Fully Complies</b>		<b>Low Risk</b>
51. Management verifies the cash and check amount on the deposit slips to the system-generated balancing reports.		<p>CSRs prepare and reconcile all deposit slips and system-generated balancing reports without management oversight.</p> <p>Management Response: The department is aware of the benefit of limiting staff autonomy but is unable to assign more resources to mitigate the concern. We feel that we do offer compensating controls by way of regular unannounced site audits and monthly review of Daily Collection Reports, deposit activity and void activity. Deposit slips are audited on a monthly basis by the Performance Supervisor. Deposit slip errors are researched promptly and employee performance issues are immediately addressed. Voids are tracked and staff receives direct feedback on all void activity as part of routine performance assessments. Failure to meet void threshold tolerance can lead to disciplinary action.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings from to reflect the department’s corrective action.</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>
52. Each month the department’s accounting office reconciles the sites’ bank statements.		DEA Treasury reviews and reconciles all bank statements received for DON Neighborhood Service Centers on a monthly basis.	
	<b>Fully Complies</b>		<b>Low Risk</b>

53. Individuals responsible for receiving cash, checks, and credit card payments are not the individuals who reconcile the bank statements.		CSRs receive payments but do not reconcile bank statements.	
	<b>Fully Complies</b>		<b>Low Risk</b>
54. The department's accounting office reconciles credit card transaction totals to the credit deposits on the bank statement.		Every month DEA Treasury reviews and reconciles all bank statements received for DON Neighborhood Service Centers.	
	<b>Fully Complies</b>		<b>Low Risk</b>

55. Cashiers must take annual vacations, and another individual handles their responsibilities during their absence.		<p>All CSRs take vacations and their responsibilities are handled by either floating CSRs or supervisors, but the vacation requirement is not explicitly stated in their procedures manual.</p> <p>Management Response: The department does not have a mandatory vacation policy. Our policies are in accordance with the City's Personnel Rules and the Collective Bargaining Agreement by and between the City of Seattle and IFPTE, Local 17. These policies do not authorize mandatory vacations. While we recognize that mandatory vacations can be an important internal control measure we do have compensating controls in place which minimize the risk of fraud, including surprise audits, backfilling absent staff with supervisors and other unscheduled CSRs.</p> <p>We do regularly reassign part time staff to work at different locations as a staffing solution. Full time CSR staff members are assigned to a specific location. There are advantages of having stable staffing. Scheduling the staff to work at one specific location allows our CSRs to understand the nuances of the unique neighborhoods and provide a higher quality of customer service to the public. We think these benefits outweigh the potential risk of fraud by our staff. Stability of staff's assigned location has</p>	
	<b>Partially Complies</b>		<b>Medium Risk</b>



		<p>also been recommended as a way to improve physical facility security. With each move or reassignment, management must modify alarm access, safe access and key card access for each affected staff member. Security industry experts value consistency as a method of limiting risk.</p> <p>Office of City Auditor Comment: We changed the compliance and risk ratings from to reflect the department's corrective action.</p>	
56. Cashiers must complete the Department of Executive Administration's Finance Division cash handling training.		All DON CSRs have completed the DEA cash handling training.	
	<b>Fully Complies</b>		<b>Low Risk</b>
57. Cashiers must complete the department's cash-handling training.		Supervisors train all CSRs on site cash handling procedures.	
	<b>Fully Complies</b>		<b>Low Risk</b>